

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING
(PROPOSAL SEVEN)

Docket No. RM2019-12

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO QUESTIONS 1-6 OF CHAIRMAN'S INFORMATION REQUEST NO. 2**
(October 18, 2019)

The United States Postal Service hereby provides its response to the above listed questions of Chairman's Information Request No. 2, issued October 11, 2019. The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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1. Based on the Commission's preliminary analysis, supervisor costs per hour appear to be materially higher in customer service offices in Cost Ascertainment Groups (CAGs) A, B, and C, and vary on a quarterly basis.¹
 - a. Please discuss whether applying a system-wide, quarterly adjustment factor² to scale the In-Office Cost System (IOCS) estimates³ for supervisor costs to the total costs takes into account the potential for some customer service office CAG/finance groups to have higher supervisor costs per hour.
 - b. Please explain the reason(s) why the system-wide IOCS adjustment factor, referred to as the "CostControlMultiplier" in the Proposal Seven SAS program, is:
 - i. not specific to the CAG/finance group of the office supervisor costs, and
 - ii. not used to scale the IOCS-estimated supervisor costs to the actual accrued supervisor costs for the customer service offices in each CAG/finance group.
 - c. Please provide an Excel file with the Fiscal year (FY) 2018 quarterly "IOCSCOSTCONTROL," "TACSCOSTCONTROL," and "CostControlMultiplier" variables, calculated at the supervisor office CAG/finance group level.

¹ The Commission analyzed the quarterly Time and Attendance Collection System (TACS)/CAG workhours and quarterly accrued actual office CAG/finance group expenses. See Library Reference USPS-RM2019-12/1, folder "Prop.7.Public.Fldr.1.Files.zip," folder "Filing_Final," folder "TACSCAG," files "TACSCAG.FY18Q1.TXT.NEW," "TACSCAG.FY18Q2.TXT.NEW," "TACSCAG.FY18Q3.TXT.NEW," "TACSCAG.FY18Q4.TXT.NEW" and folder "Prop.7.Public.Fldr.1.Files.zip," folder "Filing_Final," folder "HQ624D01," files "FY181," "FY182," "FY183," and "FY184."

² In the Proposal Seven methodology, the same quarterly cost control multiplier is used across all supervisor customer service office CAG/finance group costs rather than scaling costs to the actual stratum accrued costs (by craft and CAG/finance group of offices). This ratio is referred to as the "CostControlMultiplier" in the SAS program filed with Petition, Proposal Seven. See Library Reference USPS-RM2019-12/1, folder "Prop.7.Public.Fldr.1.Files.zip," folder "Filing_Final," folder "Data," SAS data "PRCPub18CW.sas7bdat" and folder "SASPrograms," program "ALB104CW," code "T1.TACSCostControlNum/T2.IOCSCostControlNum as CostControlMultiplier," and "T1.OrigCost*T2.CostControlMultiplier as TALCOSTNum."

³ In the IOCS, the Postal Service actual accrued expenses by craft and CAG/finance group of the office are distributed to each sampled employee in proportion to the employee's design weight relative to the total design weight for the stratum. See Docket No. ACR2018, Library Reference USPS-FY18-37, PDF file "USPS_FY18-37.PREFACE.pdf," December 28, 2018, at 3, 6.

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RESPONSE:

a) Utilizing a system-wide, quarterly adjustment factor to scale the In-Office Cost System (IOCS) estimates for supervisor costs to the total costs does not take into account the potential for some customer service office CAG/finance groups to have higher supervisor costs per hour. However, this refinement would only be significant if the percentages of Sunday/holiday to total workhours differed significantly. In actuality, the differences by CAG / finance group are very small. No one individual group's quarterly adjustment factor differed by more than 3.1 percent from the national average quarterly adjustment factor.⁴

b i) As described in response 1a), no one CAG's adjustment factor is more than 3.1 percent different than the average system-wide adjustment factor on a quarterly basis, so there is not much benefit to doing CAG specific adjustments. Furthermore, when looking at lower CAGs, especially CAG group H, the TACS hours and accounting dollars are not as clearly aligned as they are in the larger CAGs. By combining all the CAGs, discrepancies in the lower CAGs will have little to no impact because of their relevant weight to the larger CAGs. In addition, the National Payroll Hourly Report does not provide wage rates for employees by CAG.

⁴ The difference between the two calculations are demonstrated in workbook Prop7.ChIR2Resp.Q1c.xlsx, Column J, attached to this response electronically.

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b ii) As described in response 1bi), there seem to be discrepancies between accounting dollars and TACS for smaller CAG offices. The dollars and hours for all groups were combined together to develop a more robust estimate of the CostControlMultiplier.

c) Please see attached workbook Prop7.ChIR2Resp.Q1c.xlsx.

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2. Please provide Sunday/holiday supervisor costs calculated at the customer service office CAG/finance group level using TACS workhour data specific to the offices in the CAG/finance group. If it is impractical to do so, please explain why.

RESPONSE:

Please see workbook Prop7.ChIR2Resp.Q2.xlsx, attached electronically.

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3. Please confirm that the IOCS employee craft “supervisors” also includes professional, administrative, and technical staff.⁵ If confirmed, please provide job descriptions of these employees and specify whether their average hourly wage rates are the same as supervisors. If not confirmed, please explain.

RESPONSE:

Confirmed, the IOCS employee craft “supervisors” also includes professional administrative, and technical staff. However, most of the professional, administrative and technical staff are stationed at function 1 facilities (plants), and these would have no impact on this proposal or on function 4 costs.

The various professional, administrative and technical positions have wages that differ from supervisors, with some lower and some higher. On average, wages between the two groups are similar.

Employees with the same occupation codes have wage rates that are significantly more similar. For example the “supervisors” include both Supervisors of Customer Services (occupation code 23100022) and Managers of Customer Services (occupation code 23100002). Employees working occupation code 23100002 make over \$10,000 more annually compared to employees working occupation code 23100022. Both occupations fall under the “supervisor” category.

⁵ See Docket No. ACR2018, Library Reference USPS-FY18-37, PDF file “USPS-FY18-37.PREFACE.pdf,” at 3, n.3.

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Some examples and descriptions of professional, administrative and technical staff by roster designation that are encompassed within the "supervisor" category in function 4 offices include:

Roster Designation 19 (Non-Bargaining Prof/Tech/Admin)

CUSTOMER RELATIONS COORDINATOR (EAS-17)
OCCUPATION CODE: 2345-5035

Provides coordination, assistance, and directly participates in customer service programs and activities, including delivery, retail, revenue generation, address programs, consumer affairs and claims, and relations with the local business community and media for a large, complex post office and for a designated geographic area.

ADMINISTRATIVE ASSISTANT (FLD) (EAS-15)
OCCUPATION CODE: 0318-0007

Provides standard and advanced secretarial support for a manager and his/her staff. Processes information in accordance with established organizational and functional area administrative practices and procedures.

OPERATIONS PROGRAMS SPECIALIST (EAS-17)
OCCUPATION CODE: 2310-0034

Performs complex review and analysis of delivery, collection, and retail operations, procedures, and service performance to improve delivery and retail operations and services.

Some examples and descriptions of pure supervisors that are encompassed within the "supervisor" category in function 4 offices include:

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Roster Designation 09 (Managers and Supervisors)

MGR CUSTOMER SERVICES (EAS-22)
OCCUPATION CODE: 2310-0002

Manages, with assistance of a large number of subordinate supervisors, the activities of a very large carrier station with a very large number of employees providing delivery and collection services within or beyond a normal geographic area, through a very large number of carrier routes; retail services; mail distribution and dispatch; and post office box service.

SUPV CUSTOMER SERVICES (EAS-17)
OCCUPATION CODE: 2310-0022

Supervises a group of employees in the delivery, collection, and distribution of mail, and in window service activities within a post office, station or branch, or detached unit.

SUPV CPTR MAIL FORWARDING OPRNS (EAS-17)
OCCUPATION CODE: 2340-0027

Supervises a medium size group of craft employees performing automated mail forwarding activities; monitors and tracks operational performance and workload status; and develops and implements processes and procedures to improve unit operations and efficiency.

MGR CUSTOMER SERVICE OPERATIONS (EAS-23)
OCCUPATION CODE: 2310-0003

Oversees the day-to-day operations of an assigned group of stations and branches through subordinate managers to provide delivery and retail services.

SUPV MAINTENANCE OPERATIONS (EAS-17)
OCCUPATION CODE: 2355-0010

Supervises an assigned group of building and equipment maintenance and custodial activities at a mail processing center/facility or Post Office, or supervises an assigned group of area maintenance technicians, area maintenance specialists, and other technical staff to support field maintenance activities.

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EAS level is typically a good indicator of salary range. Therefore, professional, administrative, and technical staff positions with a higher EAS levels likely have a higher than average supervisor wage. For example, in plants there are Operational Industrial Engineer positions (occupation code 08960005) -- with EAS levels varying from 17-25 -- that would have an average wage rate higher than a typical supervisor (EAS 17). Positions with lower EAS levels, like those described above in function 4 offices, likely have a lower-than-average supervisor wage.

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4. The supervisor wage rate used under the Proposal Seven methodology is listed on line 413 of a prior National Payroll Hours Summary Report.⁶ The same file lists a different rate on line 459 for supervisors with an extension of "BA 4X."⁷ Please explain how these groups of supervisors differ and explain why the hourly rate data from line 413 is used as the input.

RESPONSE:

The majority of supervisor hours are found on line 413, while only supervisors from certain finance numbers and office types are broken out. The supervisor rate on line 459 is for supervisors at "Customer Contact Centers", a subset of hours from line 413 drawn from about 16 finance numbers. Therefore, the hourly rate data from line 413 is used as the input because it contains the majority of all supervisor hours. The different rate on line 459 identified in the question only includes 209,601 hours, while the rate on line 413 is calculated using 56,522,008 hours. Furthermore, the rate on line 459 allocates only 11 million dollars, which is far less than IOCS allocates for supervisor costs. The rate on line 413 allocates almost 2.9 billion dollars, which is far closer to the 3.4 billion dollars in supervisor costs that IOCS allocates.

⁶ Responses of the United States Postal Service to Chairman's Information Request No. 1, Questions 1-4, September 17, 2019, question 1.a.

⁷ See United States Postal Service Reports, Excel file "NationalPayrollSummary_PP20_2018.xlsx," October 11, 2018.

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5. In the IOCS, activity code "7631" is defined as "HIGHER LEVEL SUPERVISORS."⁸ CAG group B offices account for 43 percent of the costs associated with this activity code (\$76.6 million), followed by CAG group A customer service offices at 31 percent (\$55.0 million), and CAG group C offices at 22 percent (\$40.1 million).⁹
- a. Please specify whether the wage rate for "higher level" supervisors are the same as the wages for other supervisors.
 - b. Please specify how the activities of "higher level" supervisors differ or are similar to other supervisors.
 - c. Not all of the IOCS data collected for other supervisors appear in the SAS data file for higher level supervisors with IOCS activity code "7631."¹⁰ Please explain any reason(s) why and how the IOCS methodology for higher level supervisors differs from other supervisors.

RESPONSE:

- a) The wage rate on average for "HIGHER LEVEL SUPERVISORS" is higher than for other supervisors.
- b) As described in the response to question 3, certain positions offer higher wage rates. All the supervisors defined as "HIGHER LEVEL SUPERVISORS" have occupation codes 23057038, 23057039, or 23057064, which are all Manager of Customer Service positions with varying EAS levels. Descriptions of these positions are presented below:

⁸ See Docket No. ACR2018, Library Reference USPS-FY18-37, folder "USPS-FY18-37.IOCS.zip," folder "USPS-FY18-37," file "MASTER.CODES.FY18." Activity code is shown in the "F262" variable on the SAS file in folder "Data," SAS file "prcpub18.sas7bdat."

⁹ Commission analysis of Docket No. ACR2018, Library Reference USPS-FY18-37, folder "USPS-FY18-37.IOCS.zip," folder "USPS-fY18-37," folder "Data," SAS file "prcpub18.sas7bdat."

¹⁰ For example, most are missing a test reading time, date, MODS operation number clocked into, etc. Commission analysis of Docket No. ACR2018, Library Reference USPS-FY18-37, folder "USPS-FY18-37.IOCS.zip," folder "USPS-FY18-37," folder "Data," SAS file "prcpub18.sas7bdat."

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MGR CUSTOMER SERVICES (EAS-18)
OCCUPATION CODE: 2305-7038

Manages, usually with the assistance of subordinate supervisors for distinct functional areas, the activities of a small classified carrier station or branch with a medium to large number of employees providing collection and delivery service to a geographic area through a medium to large number of routes; window and box services; mail distribution and dispatch; and the processing or sale of non-postal products.

MGR CUSTOMER SERVICES (EAS-20)
OCCUPATION CODE: 2305-7039

Manages, usually with the assistance of subordinate supervisors for distinct functional areas, the activities of a medium size classified carrier station or branch with a large number of employees providing delivery and collection services within, or sometimes beyond a normal geographic area, through a large number of routes; window and box services; mail distribution and dispatch; and the processing or sale of nonpostal products.

MGR CUSTOMER SERVICES (EAS-19)
OCCUPATION CODE: 2305-7064

Manages, usually with the assistance of subordinate supervisors for distinct functional areas, the activities of a medium size classified carrier station or branch with a large number of employees providing delivery and collection services within, or sometimes beyond a normal geographic area, through a large number of routes; window and box services; mail distribution and dispatch; and the processing or sale of nonpostal products.

These positions are responsible for managing the entire customer service stations, whereas typical supervisory positions may be responsible for one area or function within a supervisor station. As noted in the description, the higher level positions manage "usually with the assistance of subordinate supervisors."

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c) As mentioned in USPS-FY18-37, one of the inputs to IOCS are the "Tallies of supervisors with automatically coded activity codes."¹¹ Supervisors with certain occupation codes are automatically coded to specific activity codes, including 7631 "HIGHER LEVEL SUPERVISOR".

¹¹ See Docket No. ACR2018, USPS-FY18-37, PDF file "USPS-FY18-37.PREFACE.pdf," at 12.

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6. In the IOCS, variable "F9247" is described as the "IOCS CAG Group Total Tally Pool" and variable "F9249" is described as the "IOCS CAG Group Salary Pool."¹²
- a. Please describe and show how the quarterly supervisor office CAG/finance group total tally pool values in the "F9247" variable are derived.
 - b. Please describe and show how the quarterly supervisor office CAG/finance group salary pool values in the "F9249" variable are derived.
 - c. Please confirm that the IOCS quarterly "standard [cost] weight" ¹³ is derived by dividing the value in the "F9248" ("IOCS CAG Group Total Dollar Pool") by the value in the "F9247" ("IOCS CAG Group Total Tally Pool") variable.¹⁴ If not confirmed, please describe and show how the supervisor standard weight is derived.
 - d. Please describe and show how the supervisor IOCS non-standard cost weights are derived.
 - e. Please discuss and describe how, if applicable, the values in IOCS variable "F9249" ("IOCS CAG Group Salary Pool") are related to the values in the "F9248" ("IOCS CAG Group Total Dollar Pool") and "F9247" ("IOCS CAG Group Total Tally Pool") variables.

RESPONSE:

- a) The variable F9247 is developed in program ALB101.¹⁵ These values are the sums, within each CAG and craft group, of the tally weighting values in F9246, which correspond to the inverses of the sampling probabilities.

¹² See Docket No. ACR2018, Library Reference USPS-FY18-37, folder "USPS-FY18-37.IOCS.zip," folder "USPS-FY18-37," Excel file "IOCSDataDictionaryFY18.xlsx."

¹³ "The standard weight for an observation that is tabulated in CAG group x refers to the design weight of an observation sampled at a CAG group x facility without pay location over-sampling, with reading number 1 or 2, and scheduled for Monday to Friday." See Docket No. ACR2018, Library Reference USPS-FY18-37, PDF file "USPS-FY18-37.PREFACE.pdf," at 7, n.4.

¹⁴ See Docket No. ACR2018, Library Reference USPS-FY18-37, folder "USPS-FY18-37.IOCS.zip," folder "USPS-FY18-37," Excel file "IOCSDataDictionaryFY18.xlsx."

¹⁵ See USPS-FY18-37, folder USPS-FY18-37\SASPrograms", file ALB101.

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b) The variable F9249 is developed in program ALB101. It is the product of F12, the employee's annual wage, and F9246, the weight for the reading that corresponds to the inverse of the sampling probability. Note that, at the time program ALB101 is executed, the value of F9246 represents the entire weight of a single reading. In the final dataset produced after ALB103, for readings that are split into multiple records that represent multiple handled products, such as when the employee is handling a countable sack, the values of F9246 are split correspondingly, while the values of F9249 are not.

c) Confirmed.

d) All of the cost weights in variable F9250 are developed as:

$$F9250 = F9246 * F9248 / F9247.$$

For standard cost weights, F9246 has a value of 1.0 (represented as 1000)

e) The values in F9249 are not related to F9247 or to F9248. F9249 is not used in the estimation procedure. F9249 represents a modification of the F9246 tally weight that incorporates the employee's wage rate in addition to the inverse of the sampling probability. However, this approach would not adequately reflect the situation when a carrier or clerk is temporarily acting as a supervisor ("204b") and receiving wages at a higher level than their baseline.